

### Monthly Fact Sheet February 2024

Performance <sup>1</sup>	3 month %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	14.15	21.98	3.84	7.28	10.19
S&P/ASX Small Ordinaries Accumulation Index	10.05	7.84	1.39	4.42	6.27
Active return	4.10	14.14	2.45	2.86	3.92
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	14.92	12.87	1.07	4.27	5.68
Active return	-0.76	9.11	2.77	3.01	4.51

**Past performance is not a reliable indicator of future performance. Numbers may not add due to rounding.**

<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

<sup>2</sup> The inception date for the Fund is 28 April 2017

<sup>3</sup> The benchmark for the Fund is the S&P/ASX Small Ordinaries Accumulation Index. For comparison purposes, the S&P/ASX Small Industrials Accumulation Index is displayed as the Fund does not typically invest in resource securities.

Fund facts	
<b>Portfolio managers</b>	James Dougherty, Liam Donohue
<b>Inception date</b>	28 April 2017
<b>Investment objective</b>	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (before fees)
<b>Management fee</b>	1.10% p.a.
<b>Performance fee</b>	15% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark
<b>Buy/sell spread</b>	+0.39% / -0.39%
<b>Fund size</b>	\$220.0M
<b>Distribution frequency</b>	Half-yearly

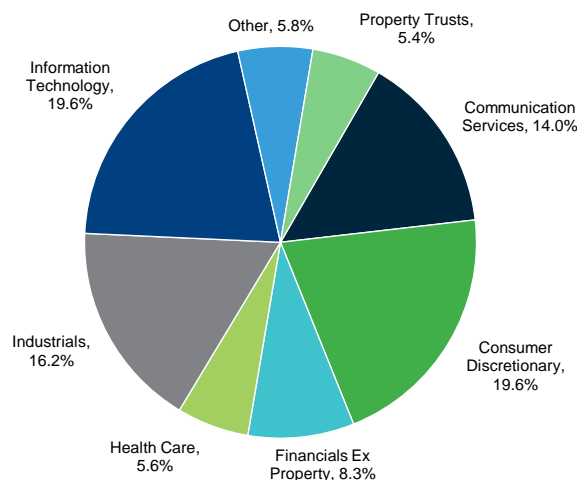
Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
GQG Partners Inc
Reliance Worldwide Corp Ltd

Stock attribution
<b>Top 3</b>
Lovisa Holdings Limited
Superloop Ltd
Reliance Worldwide Corp Ltd
<b>Bottom 3</b>
Kelsian Group Ltd
Corporate Travel Management Limited
Collins Foods Ltd

Fund features
<b>An actively managed portfolio of small companies:</b> Lennox invests using both qualitative screening and in-depth fundamental research to identify investment opportunities.
<b>Experienced investment team:</b> The investment team has a long and successful history investing in Australian small and micro-cap companies.
<b>A refined and tested investment process:</b> Lennox have a robust investment process which is combined with key insights gained through deep-dive research 'on the ground'.
<b>Risk aware:</b> Lennox embed risk management at the centre of their investment philosophy and portfolio construction.

Asset allocation	Actual %	Range %
Security	94.57	80-100
Cash	5.43	0-20

### Sector exposure



## Fund highlights

The Fund returned 6.3% (after fees) for the month of February, while the S&P/ASX Small Ordinaries Accumulation Index returned 1.7% and the S&P/ASX Small Industrials Accumulation Index returned 3.9% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included overweight positions in jewellery retailer Lovisa, telco services provider Superloop and plumbing supply business Reliance Worldwide. Shares in Lovisa popped 40.9% following a stronger than expected 1H24 result and trading update that demonstrated improving LFL sales trends across the first 7 weeks of 2024. Superloop surged 46.8% on the back of a robust 1H24 result which saw the stock trade positively before receiving a non-binding indicative proposal at \$0.95/share to merge with NBN retail peer Aussie Broadband. Shares in Reliance rose 29.3% after delivering a 1H24 result ahead of market expectations from a margin perspective and explained the rationale behind the recently announced acquisition of domestic plumbing supply business Holman Industries.

The largest detractors from performance included overweight positions in transport service provider Kelsian, travel agent Corporate Travel and QSR operator Collins Foods. Shares in Kelsian retreated 15.9% as management delivered a disappointing earnings result that missed expectations due to blow outs in key P&L line items, which was particularly disappointing after meeting market expectations from an operational perspective. Corporate Travel delivered one its poorest results in the Company's history, missing market expectations for 1H24 and downgrading full year guidance by ~15% due to macro headwinds and a lower-than-expected ramp up in the recently awarded UK asylum contract. Shares in Collins retreated 9.1% as the market started to price in a slowing consumer backdrop which was called out by poultry supplier Inghams and fellow KFC franchisee Restaurant Brands.

During the month, the fund added to its position in travel agent Flight Centre. We are attracted to the ongoing recovery in the Company's earnings base which is well positioned to benefit from the significant cost restructure undertaken by the leisure business through Covid-19 and continued strength in the corporate business through ongoing market share gains.

## Market overview

Information Technology was the best performing sector in February, up 12.3%, followed by Consumer Discretionary (+6.5%) and Industrials (+5.2%). Energy was the worst performing sector over the month, down 6.5%, followed by Consumer Staples (-2.6%) and Materials (-0.8%).

The top performers for the month included technology company BrainChip, employment provider APM Human Services and language services provider Appen. Shares in BrainChip rallied 140.6% post recent falls on the back of enthusiasm for anything leveraged to artificial intelligence. APM Human Services surged 121.6% following the receipt of a non-binding offer all cash bid at \$2.00/share from PE firm CVC Asia Pacific. Shares in Appen rose 73.9% on the back of a better than feared outlook for CY24 which reflected stabilising revenue declines and stronger than expected cost outcomes.

The worst performers for the month included gold explorer SSR Mining, oil and gas producer Strike Energy, and gold miner Resolute Mining. SSR Mining retraced 55.5% as the company suspended operations at Copley mine following a large slip in the heap leach pad. Shares in Strike Energy ended the month down 50.0% as the market digested a negative update from testing at the South Erregulla well which resulted in significant downgrades to consensus earnings expectations. Resolute Mining dropped 22.1% after delivering a softer than expected market update which resulted in downgrades to FY24 revenue guidance.

## What's making waves

February was another strong month for the small cap market with the Small Ords index (+1.5%) outperforming the large cap ASX100 index (+0.3%). Offshore markets surged on the back of another strong result from AI market darling Nvidia, pushing the Nasdaq +6.1% higher and along with it the S&P500 reached record highs. Domestically, investor attention was focused on 1H reporting season which delivered a period of heightened volatility. Overall, the local reporting season saw beats outnumber misses 3:2 with the market rewarding companies able to manage costs and protect margins. The domestic telco segment presented a fruitful hunting ground for the Lennox funds across the period with NBN resellers Aussie Broadband and Superloop both reporting solid results and were dutifully rewarded with solid share price reactions. This positive momentum culminated in Aussie Broadband acquiring ~20% of Superloop and launching an all-scrip bid for the company at \$0.95. We believe the combination of these two businesses has the potential to deliver significant operational synergies and create an even stronger challenger to the incumbent operators, ultimately resulting in further market share gains for the entity.

**For further information, please contact:**

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This material has been prepared by Lennox Capital Partners Pty Ltd ABN 19 617 001 966 AFSL 498 737 (Lennox), the investment manager of the Lennox Australian Small Companies Fund ARSN 617 995 918 (**Fund**). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (**Fidante Partners**) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at [www.fidante.com](http://www.fidante.com) should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Lennox and Fidante Partners have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Lennox and Fidante Partners may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.